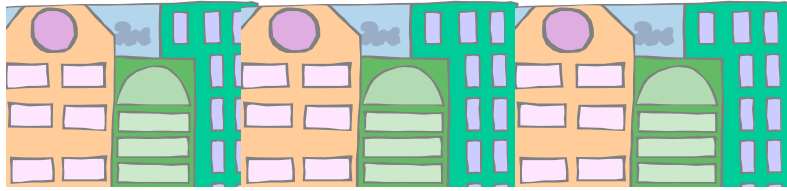


## Office of Multifamily Housing Assistance Restructuring



***Deal Profile:*** *Urban Garden Community, Section 236, \$2.6 Million  
In Future Interest Reduction Payments (IRP)*

***Date of Presentation:*** February 11, 2002

### **Questions and Answers**

#### **1. Bifurcation with Tax Payments**

**Q.** Is OMHAR considering treating Tax Abatements in the same manner as IRP with a bifurcated first mortgage?

**A.** OMHAR is willing to consider if this would be feasible.

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#### **2. Different Methods of Re-using IRP in the New Model**

**Q.** Will both of the current methods of re-using IRP still be available in addition to the bifurcation method?

**A.** Yes, OMHAR allows IRP re-use through all three methods, i.e., bifurcation, applying all IRP to the Reserve for Replacement Account, or applying all IRP to debt on a 223(a)(7)/236 over the term of the new first. Bifurcation should always be considered.

**Q.** Can re-use of the IRP be split between two or more methods?

**A.** No, one method must be used exclusively.

**Q.** If the most effective use of the IRP is toward the Reserve for Replacement Account, does OMHAR require that payments be spread evenly over the new term, or applied in the current amounts available through the 236 term?

**A.** Either method is acceptable.

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#### **3. IRP Schedule**

**Q.** Where does the IRP schedule come from?

**A.** Usually the current lender can provide the schedule. The local HUD office may also be able to provide a copy of the original amortization schedule that lists the projected IRP payments, however this may not be current if there have been any modifications to the original loan.

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#### **4. Conventional Financing Use Agreements**

**Q.** Are the 236 post-restructuring Use Agreements the same when conventional financing is selected, (as opposed to FHA-insured takeout)?

**A.** Yes.

**Q.** Are the 236 Use Agreements used under OMHAR's decoupling authority the same as those applicable to Housing's authority (pursuant to Notice H-008)?

**A.** No. They are generally consistent, but there are separate forms. The local HUD Office Attorney can advise regarding the Use Agreement associated with Notice H-008.

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#### **5. Lender's Receipt of IRP Payments**

**Q.** Does the 223(a)(7) lender need to be the same as the original 236 lender?

**A.** No. The revised Appendix "Q" to the M2M Operating Procedures Guide will provide guidance for the new lender on how to receive the IRP payments.

**Q.** How does the lender receive the IRP?

**A.** The lender will submit a monthly bill to HUD in equal or level amounts to make it easier for the accounting department processing the payments.

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#### **6. Lenders Who Do These Loans**

**Q.** Any suggestions on lenders who are willing to do these bifurcated loans with IRP?

**A.** The Multifamily Business Page lists lenders who have done previous M2M deals. Most of the larger lenders should be willing to do these loans. Also, the State HFAs may have experience with similar financing structures.

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#### **7. Minimum NOI Guidelines**

**Q.** What is the effective minimum amount of Net Operating Income needed to support the "A" piece of the bifurcated loan?

**A.** The NOI and debt service coverage ratio must be enough to allow a reasonable cushion to cover variations in operating expenses and vacancy performance. The IRP supporting the "B" piece debt cannot support Operations because the monthly payments go directly to the lender for debt service. The "B" piece should assume 1.0 debt service coverage.